



Foreign Agricultural Service

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## **Russian Federation**

### **Market Development Reports**

#### **Y2K and Russia's Flour Mills**

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#### **Report Highlights:**

**FAS Moscow has observed marked improvements in Russia's Y2K readiness in the grain sector. As a result of increasing awareness and remediation and stockpiling, post expects only isolated disruptions of milling operations resulting from Y2K.**

**Although disruptions of power supplies could restrict milling operations in some areas, most regions are expected to ride out January 1 with few problems if they have normal flour stocks.**

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Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Moscow [RS1], RS

## **Predicted Impact of Y2K**

FAS Moscow has observed marked improvements in Russia's Y2K readiness in the grain sector. Recent increases in awareness have caused some large mills to begin remediation activities (often spurred on by their software suppliers). As a result of this and other Russian practices like stockpiling, post expects only isolated disruptions of milling operations resulting from Y2K. Although disruptions of power supplies could restrict milling operations in some areas, most regions are expected to ride out January 1 with few problems if they have normal flour stocks. This cushion is further augmented by the stockpiling of flour that goes on before the Russian holiday season shutdowns in the first week of January. As reported earlier, ports, trucking and rail transport should have few problems because of the low level of computerization in these industries. This means that mills should be able to source raw materials and sell products with few new difficulties caused by Y2K problems.

## **View from a major Russian grain company**

Ag Attache met with a major Russian grain company to discuss the level of Russian readiness for Y2K in the grain industry. Although it did not know exact status of many mills, elevators and warehouses, it did not believe that Y2K will be a significant problem in most places because of the low level of computerization, meaning that computers often control only a fraction of the milling process. In the facilities where computers are used to control more of the milling process, many systems have been or are being upgraded. Even older systems can usually be either reset (to 1990, for example) or worked around (which is often standard practice in any case). In addition, most regions have excess milling capacity and do not plan to be in operation on New Year's Eve. There is no plan for extra Y2K stockpiling because regions also stockpile grain, feed, flour, and bread as a matter of course if supplies are available. Although Russia has created a special Y2K committee, it is not active yet, leaving firms to deal with their problems individually.

## **FAS Moscow's Observations**

### **Mills in grain producing regions and in Moscow, St. Petersburg and elsewhere**

Mills in grain producing regions often have newer Y2K compliant. Y2K awareness is higher in these mills which are either Y2K compliant or plan to be so in the near future. Attachés and food aid monitors have observed a substantial minority of mills using older computer technology that controls much of the milling process and is operated by managers with low awareness of Y2K issues. This includes some large flour mills in the regions along with facilities in St. Petersburg and Moscow that were modernized 10-15 years ago and may be vulnerable. Mills in Moscow and St. Petersburg are thought to be better prepared for Y2K than those elsewhere because of higher awareness by local authorities. In some regions, although problems won't appear at flour mills, Y2K disruptions of energy supplies may impede operations. According to the International Atomic Energy Commission, the Urals, Siberia and the Far East are most at risk of power disruptions because of the use of antiquated computers on power grids.